

Franchise Tax Board**ANALYSIS OF ORIGINAL BILL**

Author: Ortiz Analyst: Kristina E. North Bill Number: SB 1131
Related Bills: None Telephone: 845-6978 Introduced Date: January 14, 2004
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: International World Peace Rose Gardens Fund

SUMMARY

This bill would establish a voluntary contribution fund on the state income tax return for taxpayer contributions to the International World Peace Rose Garden.

PURPOSE OF THE BILL

The author's office has indicated that the purpose of the bill is to establish a funding source for the maintenance of State Capitol World Peace Rose Garden.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2005, and would apply to returns filed for taxable years beginning with the first taxable year another voluntary contribution designation is removed from the tax return and a voluntary contribution designation for this fund is added. The designation for this fund would remain on the tax return for a total of five years.

POSITION

Pending.

ANALYSISFEDERAL/STATE LAW

Current federal tax law provides a checkoff to direct \$3 of a taxpayer's tax liability to the Presidential Election Fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 11 voluntary contribution funds listed on the 2003 state tax return. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB's) and the State Controller's actual costs to administer the fund.

Board Position:
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____ N ____ OUA ____ X PENDING

Department Director	Date
Gerald H. Goldberg	2/9/04

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. The attachment shows the specific sunset dates for each voluntary contribution fund and indicates those funds that must meet a minimum contribution test to remain on the return. The initial minimum contribution amount is \$250,000, which is indexed annually for each fund.

Current state tax law prioritizes the addition of authorized charitable designations to the tax form on the basis of chaptering order, starting with the earliest chaptered enactment date.

THIS BILL

This bill would establish the International World Peace Rose Gardens Fund and would allow taxpayers to designate their own funds (not tax liability) for contribution to the fund on their tax returns in full dollar amounts of \$1 or more. Each signatory on a joint return may make the contributions individually. The designations for any taxable year must be made on the initial return for the taxable year and, once made, are irrevocable.

This bill would require FTB to include a designation space for the fund beginning with the first taxable year another voluntary contribution fund designation is removed. **This bill** would allow the voluntary contribution designation to remain on the tax return for five years. If after the second calendar year the fund appears on the tax return FTB estimates that contributions to the fund will be less than \$250,000, the provisions of this bill would be repealed.

This bill would require the Controller to transfer money designated for this fund by taxpayers from the Personal Income Tax Fund to the International World Peace Rose Gardens Fund.

This bill would require that all money transferred to the International World Peace Rose Gardens Fund, upon appropriation by the Legislature, be allocated first to FTB and the Controller for reimbursement of costs incurred performing their duties under this article. Then, money would be allocated to the International World Peace Rose Gardens Fund exclusively to maintain the State Capitol World Peace Rose Garden in Sacramento, California.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

PROGRAM BACKGROUND

Eleven voluntary contribution funds appeared on the 2002 California personal income tax returns. Total contributions to these funds have varied from approximately \$3.4 million in 1989/1990 to approximately \$3.8 million in 2002/2003. The number of individuals contributing (first tabulated in 1993) remains fairly constant at approximately 140,000, or slightly less than 1% of all taxpayers.

Currently, FTB has no chaptered voluntary contribution funds awaiting placement on the state income tax return.

OTHER STATES' INFORMATION

Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York laws do not provide a voluntary contribution fund comparable to the voluntary contribution fund allowed by this bill. The laws of these states were reviewed because their tax laws are similar to California's income tax laws.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

The net revenue impact of this bill would be negligible (gain or loss) since the addition of the International World Peace Rose Gardens Fund to the tax return requires the removal of an existing voluntary contribution designation.

Any possible changes in employment, personal income, or gross state product that might result from this measure are not taken into account.

Revenue Discussion

According to departmental data, the total amount of existing voluntary contributions to all funds was nearly \$4 million for fiscal year 2002/03 with an average of \$280,000 per individual designated fund.

Assuming contributions equal or exceed the minimum \$250,000 required to remain on the tax return and all contributors itemize deductions, the annual revenue loss would be on the order of \$15,000 by applying an average marginal tax rate of 6%. This revenue loss would occur the year following this fund designation being placed on the tax return and would be partially or wholly offset by revenue savings from the elimination of an existing voluntary contribution fund.

POLICY CONCERNS

The placement of voluntary contributions on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information could ultimately impair tax collection and reduce administrative efficiency.

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